



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: September 12, 2001 REPORT NO. 01-179

ATTENTION: Honorable Mayor and City Council
Docket of September 18, 2001

SUBJECT: Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment

REFERENCE: Otay Mesa Public Facilities Financing Plan and Facilities Benefit Assessment Fiscal Year 2002, Draft, July 2001

SUMMARY

Issues - Should the City Council: 1) approve the Otay Mesa Public Facilities Financing Plan Fiscal Year (FY) for 2002; 2) adopt a Resolution of Intention to designate an area of benefit for a Facilities Benefit Assessment (FBA) in Otay Mesa; 3) adopt a Resolution of Designation; and 4) approve the setting of Development Impact Fees (DIFs) consistent with the FBA in Otay Mesa?

Manager's Recommendation - Adopt the four resolutions.

Other Recommendations - At the July 15, 2001 meeting, the Otay Mesa Planning Group approved and recommended adoption of the draft Public Facilities Financing Plan and Facilities Benefit Assessment.

Environmental Impact - None by this action.

Fiscal Impact - Adoption of this Financing Plan and Facilities Benefit Assessment will continue to provide a funding source for the required public facilities.

Business Impact Statement - The Facilities Benefit Assessments in Otay Mesa have been increased to accommodate increasing public facilities costs and scheduling requirements. This will result in an increase of the cost to develop projects in the community.

BACKGROUND

The proposed Otay Mesa Public Facilities Plan (PFFP) is the annual update of the PFFP approved November 2000 and incorporates changes that have occurred since then. These changes include: changes in the development schedule over the next few years; increased public facility costs due to inflation, project size and scope changes; changes in timing of several projects within the constraints of required timing thresholds; adding interest to the Otay Mesa FBA contribution to repay a Transnet loan for State Route 905 in (FY) 2007; and increases in the FBA rates to reflect the obligations to construct or reimburse for the required facilities.

DISCUSSION

The PFFP details facilities that will be needed through the ultimate development of the Otay Mesa community which is presently estimated to be by the year 2030. Otay Mesa is a partially developed community with some community facilities in place. Council Policy 600-36 directs the City Manager to prepare an Annual Review for each FBA area. This proposed Public Facilities Financing Plan and Facilities Benefit Assessment has been prepared in accordance with that Policy.

The following changes have occurred since the last update:

1. Based on approved plans and maps, the amount of developer projected development over the next few years has been changed to reflect planned development. The rates of development in the next several years for single family housing and non-residential projects have been decreased while the rate for multi-family housing has been increased. This somewhat offsets the increased project costs and required augmentation of certain park and library facilities which are population driven.
2. Due to increased population thresholds from augmented multi-family housing, five park projects in later years of the community's development have been advanced by several years in timing.
3. Some park, library and fire facilities have had various increases in cost that are reflected in the PFFP.
4. Due to the need to maintain the schedule of various public facility construction and reimbursements in the next few years, the costs of these are near term and as such they contribute to the need for an increase in the FBA rates. These projects and reimbursements include: Palm Avenue / I-805 Interchange; Ocean View Hills Parkway; the Robinhood Ridge segment of Otay Valley Road; Ocean View Hills Neighborhood Park; Dennerly Ranch Neighborhood Park; and Robinhood Ridge Neighborhood Park. In

addition, the schedules for the Otay Mesa-Nestor Branch Library Expansion and Fire Station No. 6 have been maintained for the same timing.

5. A yearly interest payment requirement beginning in FY 2003 and an inflationary adjustment in FY 2007 along with the \$4,000,000 contribution have been added to the project to pay back the SANDAG loan to CalTrans to begin land acquisition and construction of the SR-905 project.
6. FBAs have been increased by 7.3% from the FY 2001 level of fees adopted as part of the previous PFFP update. This is 2.3% greater than the automatic inflationary increase of 5%. For example, the FBA for single family dwelling units has increased from \$6,409 to \$6,877 per unit, and the FBA for industrial acres in the East Sub-area has increased from \$12,776 to \$13,708. These increases are necessary to accommodate the scheduling of required public facilities in the next few years.

Facilities Benefit Assessment (FBA)

Table 9 of the FY 2002 PFFP identifies total remaining public facility needs based on estimated development at \$887,426,115, broken down as follows:

<u>AMOUNT</u>	<u>FUNDING SOURCE</u>	<u>PERCENTAGE OF TOTAL</u>
\$107,951,154	Developer/Subdivider	12.2%
\$47,231,282	East Sub-area FBA	5.3%
\$60,980,033	West Sub-area FBA	6.9%
\$671,263,646	Other (Primarily CalTrans Projects)	75.6%

The proposed FBA fee for FY 2002 in Otay Mesa will increase from the FY 2001 schedule in the PFFP as shown below.

	Proposed	
	<u>EAST FBA</u>	<u>WEST FBA</u>
Single Family Dwelling Unit	NA	\$6,877
Multiple Family Dwelling Unit	NA	\$4,814
Commercial Acre	\$41,540	\$39,544
Industrial Acre	\$13,708	\$13,754
OIC I100 Acre	\$13,708	NA
OIC I300 Acre	\$40,294	NA
OIC I400 Acre	\$53,586	NA

The proposed FBAs for FY 2002 represent a 7.3% increase over the FY 2001 FBAs. The costs of facilities are apportioned equitably among the undeveloped parcels within the Area of Benefit.

Council has previously directed that the same assessment rates are appropriate Development Impact Fees for all properties that have never been assessed or otherwise agreed to pay the Facilities Benefit Assessment for all other FBA areas. Therefore, it is recommended that the above proposed Fiscal Year 2002 Assessments also be adopted as Development Impact Fees for Otay Mesa. The FBA will be collected at the time of building permit issuance and deposited into special interest earning accounts for Otay Mesa.

Since the FY 2002 PFFP proposes an increase in the Facilities Benefit Assessment over and above the inflationary rate programmed, the proposed Resolution of Intention will set a date for a public hearing. Prior to the public hearing, mailed notice will be given to all assessable property owners of developable land within the proposed area of designation indicating the date of the hearing and their right to file a protest with the City Clerk. Notice will also be given by publication of the Resolution of Intention in the City's official newspaper. Unless overruled by a four-fifths vote of the Council, written protests by owners of more than one-half of the area of the property proposed to be included within the Area of Benefit shall cause the proceedings to be abandoned.

ALTERNATIVE

Do not adopt the proposed Public Facilities Financing Plan Fiscal Year 2002 and Facilities Benefit Assessment. This is not recommended because the proposed fees will ensure that new development contributes its proportionate share for new facilities identified in the community plan. In the absence of these fees, alternative funding sources will have to be identified to fund new development's share of the identified facilities or public facilities will have to be deferred or deleted.

Respectfully submitted,

S. Gail Goldberg, AICP
Planning Director

Approved: P. Lamont Ewell
Assistant City Manager

GOLDBERG/GRR

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment: 1. Draft Otay Mesa Public Facilities Financing Plan Fiscal Year 2002, July 2001. The size of this attachment precludes general distribution; a copy is available for review in the office of the City Clerk.

